

Message Text

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DEPARTMENT FOR HICKEY (EB/FSE) ONLY

E.O. 11652: N/A
TAGS: ENRG, OECD
SUBJECT: IEA: SLT TEXT OF DRAFT REPORT OF SPANISH
ENERGY POLICY

REF: HICKEY/LEVINE TELECON

THERE FOLLOWS THE TEXT OF A COMMUNICATION FROM
VAN HAREN TO RAICHT:

BEGIN TEXT:
TO: LAWRENCE RAICHT, STATE DEPARTMENT
FROM: FRANS VAN HAREN, DUTCH DELEGATION TO OECD

FOLLOWS DRAFT REPORT ON SPAIN, RESULTING FROM SLT-
EXAMINATION ON DECEMBER 17TH. I DISCUSSED THIS DRAFT
REPORT THIS MORNING WITH PETER KELLY OF IEA-
SECRETARIAT WHO CAN GENERALLY AGREE WITH ITS CONTENT.
AT A LATER STAGE WE STILL MAY WANT TO QUANTIFY
SOME OF THE COMMENTS AND RECOMMENDATIONS. I WILL
TODAY SUBMIT COPY OF THE DRAFT-REPORT TO THE SPANISH
DELEGATION WITH WHOM I HAVE NOT, HOWEVER, DISCUSSED
THIS FIRST DRAFT YET.

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COUNTRY REPORT ON SPAIN (FIRST DRAFT RAPPOREUR:
VAN HAREN (NETHERLANDS)).

A. STATUS OF ENERGY BALANCES

THE SPANISH NATIONAL ENERGY PLAN OF 1975,
ADJUSTED IN OCTOBER 1976, IS ORIENTATIVE, LACKING

AN ADEQUATE ENFORCEMENT MECHANISM. HENCE THE PROJECTIONS FOR 1985 MIGHT BE CONSIDERED AS "DESIDERATA". THE 1985 TARGETS AS SUCH, DO NOT SHOW AN UNFAVOURABLE ENERGY BALANCE, CONSIDERING SPAIN'S ECONOMIC DEVELOPMENT POLICIES THAT ACCOUNT FOR THE RELATIVELY HIGH GROWTH IN TPE/GDP RATIO (TO 1.70 FOR 1985, AGAINST THE PROJECTED IEA AVERAGE OF 1.38).

THE LATEST FIGURES SUBMITTED SHOW A TPE GROWTH (PERIOD 1975-85) OF 89 PERCENT, INDIGENOUS ENERGY PROD. GROWTH OF 250 PERCENT AND AN ENERGY IMPORT GROWTH OF 23.5 PERCENT. THE OIL SHARE OF TPE WOULD BE REDUCED FROM 69 PERCENT IN 1975 TO 43 PERCENT IN 1985, THE IMPORTED OIL SHARE OF TPE FROM 65 PERCENT TO 36.5 PERCENT.

THE UNCERTAINTIES AS TO THE ATTAINABILITY OF THESE DESIDERATA LAY BOTH WITH THE DEMAND (CONSERVATION) AND SUPPLY (ESP. NUCLEAR) SIDES OF THE ORIENTATIVE NAT. ENERGY PLAN. THE LACK OF AN ALTERNATIVE STRATEGY OR ADEQUATE FALL-BACK POSITION MAKES THE TARGET OF IMPORTED OIL SHARE OF TPE AD 36.5 PERCENT WITHOUT A FIRM BASE.

B. ADEQUACY OF SUPPLY/CONSERVATION MEASURES IN PLACE OR PROJECTED

I. DEMAND SIDE

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DURING THE REVIEW IT BECAME EVIDENT THAT THE ACHIEVEMENT OF THE ENERGY BALANCE SUBMITTED IS LARGELY DEPENDENT ON A CONTINUED CONSERVATION POLICY. THE MEASURES TAKEN IN CONCURRENCE WITH THE GENERAL CONSERVATION ORIENTATIONS OF THE NATIONAL ENERGY PLAN AND THOSE TAKEN OR CHANGED IN OCTOBER 1976, ARE IN GENERAL LAUDABLE. SOME DOUBTS APPEARED HOWEVER AS TO THE EFFECTIVE QUANTITATIVE RESULTS DUE TO THE FOLLOWING FACTORS:

- ESPECIALLY THE LATEST MEASURES TAKEN BY THE GOVERNMENTS SEEM TO BE MAINLY MOTIVATED BY REASONS OF EITHER THE ANTI-INFLATION POLICY OR AS A COMPENSATION FOR RISING FUEL COSTS,
- THE APPARENT TEMPORARY CHARACTER OF THE

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MEASURES,

- THE BASIS OF THE SURCHARGES IN THE DOMESTIC SECTOR HAVE BEEN REDUCED FROM 20 PERCENT TO 10 PERCENT AND FROM 10 TO 5 PERCENT IN THE INDUSTRIAL SECTOR.
- THE SYSTEMS FOR ENERGY CHECKS BOTH FUEL AND ELECTRICITY CONSUMPTION IN THE INDUSTRIAL SECTOR LACKS METHODS OF ADJUSTMENT OTHER THAN FINANCIAL,
- NO INDICATION THAT REGULATED PRICES FOR FUEL WILL FOLLOW, IN A SHORT TIME, MARKET PRICES.

II. SUPPLY SIDE

THE MAJOR UNCERTAINTY AS TO THE CAPABILITY TO ATTAIN THE TARGETS FOR INDIGENOUS PRODUCTION, IS FOUND IN THE NUCLEAR SECTOR. AS ENVISAGED, THE NUCLEAR CONTRIBUTION TO INDIGENOUS ENERGY PRODUCTION WILL AMOUNT TO 45 PERCENT IN 1985. THE MEASURES IN PLACE, HOWEVER, DO NOT ADEQUATELY GUARANTEE THE ACTUAL EXECUTION OF THIS AMBITIOUS PROGRAMME. THE MAIN WEAKNESSES APPEAR TO BE IN THE FOLLOWING ASPECTS:

- FINANCIAL, NO APPARENT FINANCIAL ARRANGEMENTS

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HAVE BEEN MADE TO ENSURE THE COMMENCEMENT OF

PLANT CONSTRUCTION WITHIN A SHORT TIME.

1.1 GW ARE ON LINE, 8.7 UNDER CONSTRUCTION.

AUTHORIZED PLANTS AMOUNT TO 7 GW, APPARENTLY WITHOUT A SECURE FINANCIAL BASE, WHILE 4.2 GW ARE BEING PLANNED. IN OTHER WORDS, THE FUTURE OF NUCLEAR PLANTS ACCOUNTING FOR 11.2 GB (OVER HALF OF TOTAL TARGETED NUCLEAR PROD.) SEEMS YET TO BE WITHOUT SOUND FINANCIAL BASIS. GIVEN THE LONG LEAD-TIMES, THIS ASPECT MAY SERIOUSLY JEOPARDIZE THE NUCLEAR PROGRAMME.

- UNCERTAINTY AS TO THE DEGREE OF PUBLIC OPPOSITION (BOTH REAL AND POTENTIAL). NO APPARENT MEASURES HAVE BEEN TAKEN TO COUNTER THIS.
- APPARENT UNCERTAINTY AS TO REPROCESSING POSSIBILITIES MAY FURTHER ACT AS A BRAKE.

FURTHERMORE, AS TO THE SUPPLY SIDE, THE LACK OF AN AMBITIOUS COAL-PROGRAMME BECAME EVIDENT. IN THE SPANISH LATEST FIGURES IT APPEARED THAT OIL RATHER THAN COAL WAS USED AS A BALANCING FUEL, (COAL IMPORTS ARE PROJECTED TO BE A MERE 2.8 MTOE, WITH HOME PRODUCTION (ESP. LIGNITE) OF 15.4 MTOE) NOT APPARENT EFFORTS ARE BEING UNDERTAKEN TO WIDEN THE MARGIN FOR COAL CONSUMPTION).

C. MEASURES TO BE CONSIDERED

STRIKING FACT TO EMERGE DURING THE REVIEW WAS THE LACK OF ANY FALL-BACK PLAN BY THE SPANISH AUTHORITIES IN THE EVENT OF EITHER A SHORT-FALL IN THE NUCLEAR PROGRAMME OR SLIPPAGE IN THE CONSERVATION TARGETS. IT MIGHT THEREFORE BE RECOMMENDED FOREMOST THAT SPANISH AUTHORITIES DRAW-UP A COMPREHENSIVE FALL BACK STRATEGY WHICH DOES NOT ALLOW FOR OIL TO LIMITED OFFICIAL USE

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BE A BALANCING FUEL, E.G. WHICH RETAINS THE GOAL OF AN IMPORTED OIL SHARE OF TPE OF 36.5 PERCENT IN 1985.

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FROM THIS RECOMMENDATION FOLLOWS LOGICALLY THAT MORE AND PARTICULAR ATTENTION SHOULD BE GIVEN TO THE COAL SECTOR, BOTH DOMESTIC AND IMPORTED, WHEREBY AN ENLARGED SHARE OF COAL IN TOTAL TPE SHOULD BE CONSIDERED.

AS TO THE NUCLEAR PROGRAMME ITSELF, PRIMARY ATTENTION SHOULD BE GIVEN TO THE FINANCING ASPECT. TWO ELEMENTS HERE ARE OF MAJOR IMPORTANCE, AN EFFICIENT PRICE MECHANISM AIMED AT REDUCING ELECTRICITY CONSUMPTION AND AT BEING AT THE SAME TIME A SUFFICIENT STIMULANT TO PRIVATE UTILITY COMPANIES, WHILE FINANCIAL AND FISCAL INCENTIVES FOR PARTICULARLY THE NUCLEAR SECTOR MIGHT BE CONSIDERED PARTICULARLY IN LIGHT OF THE INCENTIVES BEING PROVIDED TO OTHER SECTORS OF THE ELECTRICITY INDUSTRY. FURTHERMORE MEASURES THAT WILL ENSURE ADEQUATE FINANCING AS UNDERLYING BASE FOR THE NUCLEAR PROGRAMME.

IN THE DEMAND SECTOR, MEASURES WILL HAVE TO BE CONSIDERED THAT WILL HAVE A CONSIDERABLE AND LONG LASTING IMPACT ON THE END USE ESPECIALLY IN THE INDUSTRIAL SECTOR. WE THINK HERE MAINLY OF A DURABLE

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AND EFFICIENT SYSTEM OF MANDATORY ENERGY CHECKS FOR EXISTING AND NEW INSTALLATIONS CONSUMING MORE THAN A SPECIFIED QUANTITY OF ENERGY.
END TEXT.
TURNER

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